

STATEMENT OF
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AND EMERGENCY MANAGEMENT
“EDA REAUTHORIZATION: RATING PAST PERFORMANCE AND SETTING GOALS
DURING AN ECONOMIC CRISIS”
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Welcome all, especially to today’s distinguished witnesses. We look forward to their important testimony on the reauthorization of the Economic Development Administration. This subcommittee has jurisdiction over the authorization and oversight of programs promoting economic development in communities suffering long term economic distress, including jurisdiction over the Economic Development Administration (EDA) of the U.S. Department of Commerce. The Public Works and Economic Development Act of 1965, which created EDA, authorizes partnerships between the federal government and state and local development entities to alleviate substantial and persistent unemployment in economically distressed areas and regions.

One of the most important goals in national economic development activities is to enhance community success in attracting private capital investment and good job opportunities. The work of the Economic Development Administration is a small but highly visible part of federal efforts to enhance economic opportunity nationwide by increasing the overall productivity of economically distressed and poor communities and their share of the country’s general prosperity.

EDA’s primary operation is a public works grant program designed to aid economically distressed communities by developing infrastructure in order to attract new industry that will create long-term, private sector jobs. Projects funded through the program include the construction of access roads, port improvements, business incubator buildings and water and sewer facilities. It is no coincidence that President Barack Obama chose economic development as the primary engine for job creation in the recently passed stimulus bill. Data from across the spectrum of economists and EDA’s own work confirms that public infrastructure is more effective in stimulating the economy than any form of public expenditure.

EDA was created to address issues of poverty, high unemployment, and geographic isolation by identifying distressed counties and setting aside the bulk of investment dollars to ameliorate these drastic conditions. Distressed counties generally under the EDA standard definition have an unemployment rate of 1% greater than national average for the most recent 24-month period or per capita income of 80% or less than the national average. The federal government, acting in partnership with states, private businesses and localities, has shown that persistent and substantial poverty can be reduced and eliminated.

An important part of EDA’s efforts are grants for public works and development facilities and access to technical assistance and planning grants. The subcommittee is particularly interested in the revolving loan fund and its ability to assist local development

authorities. The revolving loan fund finances investments that capitalize an intermediary to make loans to local businesses that otherwise cannot access commercial credit.

Many regions across the country continue to experience high poverty, areas of significantly higher than-average unemployment rates, limited access to capital, low per capita personal income, and high job loss, regardless of the state of the national economy. Consequently, in the 110th Congress, we reauthorized two economic development commissions and created three more. The five commissions are the Delta Regional Commission, the Northern Great Plains Regional Commission, the Southeast Crescent Regional Commission, the Southwest Border Regional Commission, and the Northern Border Regional Commission. These areas are among many which expressed desire to create regional economic development commissions, similar to the structure of the Appalachian Regional Commission, to provide additional funding for projects that stimulate regional economic development and to promote the character and industries of the region without supplanting existing institutions and programs that provide funding, such as the Economic Development Administration, state agencies, and local development organizations.

In today's troubled and uncertain economic times for the entire country, the nuts and bolts of economic development for undeveloped areas take on vast importance. Job deficiencies reduce the tax base, which, in turn, reduces the ability of governments to provide public infrastructure, which then reduces the ability to create and attract jobs and new industries. However, the Economic Development Administration has a solid track record in leveraging public investment into private development. A recent independent report by Grant Thornton and ASR Analytics found that EDA's public works program generates up to five (5) jobs per \$10,000 of public investment.

This metric covers a wide variety of projects. One of the more common investment examples was an EDA investment of \$560,000 to build sewer, water, transportation and fiber optic/broadband infrastructure in an industrial park in Okemah, OK to induce a private corporation to locate there. This project has already created approximately 110 jobs and is expected to produce at least 40 more in private investment. An example from a big city was the EDA investment of \$4.5 million in the Apollo Theater in Harlem, New York, the historic, cultural anchor for the Harlem community. Though the investment produced only 28 jobs, less than .6 per \$10,000, it played an outsized role in the revival of Harlem's major commercial strip, 125th street.

Recently, EDA also provided funding to help preserve one of the most historic structures in the District of Columbia when the Eastern Market, one of the oldest markets in the United States, was damaged by fire, causing significant loss of economic activity, and of an institution that has defined the entire Capitol Hill residential community for more than a century.

EDA has approved funds for brownfields, redeveloped as industrial parks, funds for an upgrade of a city's wastewater system to make it suitable for agriculture production facilities, and funds for buildings with the infrastructure to support high tech companies and many other types of cutting edge development.

With this hearing, and after four decades of EDA's work in job creation, the subcommittee is in a position to analyze the federal role, the extent of the building and

sustaining relationships at the state and local levels and importantly with businesses, citizens, and civic organizations, and to consider increasing the necessity of focusing on metropolitan as well as rural areas, and retaining the public trust with special emphasis on economic development results. We also will examine existing grant programs for economic adjustment assistance, research and evaluation, and technical assistance. We will scrutinize how funding decisions are made, and how past funding decisions reflect the efficiency of the Economic Development Administration.

This morning we are pleased to hear from experts with deep experience with the EDA who can help the subcommittee assure that the agency performs at peak levels during this time of economic uncertainty.